



Statement of The Honorable Colleen Landkamer Commissioner, Blue Earth County, Minnesota

and President Elect of the National Association of Counties

Before the

United States House of Representatives House Committee on Agriculture

Subcommittee on Conservation, Credit, Rural Development and Research

on behalf of the National Association of Counties (NACo) and the National Association of Development Organizations (NADO)

Review of Rural Development Programs

March 30, 2006

Thank you Chairman Lucas, Ranking Member Holden and Members of the Subcommittee. My name is Colleen Landkamer, I am a County Commissioner from Blue Earth County, Minnesota and I currently serve as the President Elect of the National Association of Counties (NACo). I have served as a County Commissioner in Blue Earth County since 1988. Today, I have the opportunity and privilege to represent NACo, as well as the National Association of Development Organizations (NADO).

About the National Association of Counties

Established in 1935, the National Association of Counties (NACo) is the only national organization representing county governments in Washington, DC. Over 2,000 of the 3,066 counties in the United States are members of NACo, representing over 85 percent of the population. NACo provides an extensive line of services including legislative, research, technical, and public affairs assistance, as well as enterprise services to its members. The association acts as a liaison with other levels of government, works to improve public understanding of counties, serves as a national advocate for counties and provides them with resources to help them find innovative methods to meet the challenges they face. In addition, NACo is involved in a number of special projects that deal with such issues as the environment, sustainable communities, volunteerism and intergenerational studies.

NACo's membership drives the policymaking process in the association through 11 policy steering committees that focus on a variety of issues including agriculture and rural affairs, human services, health, justice and public safety and transportation. Complementing these committees are two bi-partisan caucuses—the Large Urban County Caucus and the Rural Action Caucus—to articulate the positions of the association. The Large Urban County Caucus represents the 100 largest populated counties across the nation, which is approximately 49 percent of the nation's population. Similarly, the Rural Action Caucus (RAC) represents rural county elected officials from any of the 2,187 non-metropolitan or rural counties. Since its inception in 1997, RAC has grown substantially and now includes approximately 1,000 rural county officials.

About the National Association of Development Organizations

The National Association of Development Organizations (NADO) provides training, information and representation for regional development organizations serving the 82 million residents of small metropolitan and rural America. The association, founded in 1967 as a national public interest group, is a leading advocate for a regional approach to community and economic development.

NADO members—known locally as councils of government, economic development districts, local development districts, regional planning commissions and regional councils—provide valuable professional and technical assistance to over 2,000 counties and 15,000 small cities and towns. They also administer and deliver a variety of federal and state programs, based on local needs. Programs include aging, census, community and economic development, emergency management, small business financing, transportation and workforce development. Each region is governed by a policy board of elected officials, business leaders and citizen representatives. Associate members of NADO include state, county, city and town officials; educational and nonprofit organizations; utilities; and businesses and individuals.

This morning, I would like to make three key points on the status of rural development programs in the farm bill:

- First, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs.
- Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill.
- Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

First, Mr. Chairman, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs, whether they are basic infrastructure, education, health care, small business development, telecommunications or transportation related. As the following data demonstrates, rural America is a diverse, complex and constantly evolving place. That is why federal rural development policy is most effective when it is flexible and responsive to evolving and shifting local needs and priorities.

Home to almost one-third of the nation's population (equivalent to the urban population), small town and rural America is a diverse and constantly changing place. Rural America compromises 2,187 of the nation's 3,066 counties (counties of 50,000 and below), 75 percent of all local governments and 83 percent of the nation's land.

While the common perception is that rural Americans only live in the South, Midwest and Great Plains, more rural Americans live in Pennsylvania, for example, than rural Idaho, Montana, Nebraska, Nevada, North Dakota, South Dakota, Utah and Wyoming combined. States with the largest total rural populations include Pennsylvania, Texas, North Carolina and Ohio.

While no one industry dominates the entire rural economy, the service sector now accounts for almost 50 percent of employment, with manufacturing employing twice as many people as all natural resource production activities combined, including agriculture, forestry, fishing and mining. While still an important fabric of rural life, farming represents less than eight percent of rural jobs and 50 percent of farm families rely heavily on off-farm income.

Demographic trends also suggest that rural Americans are proportionally older, more likely to live in poverty and less educated than their urban counterparts. However, individual rural communities are constantly changing and evolving, as many are becoming booming retirement destinations and tourist attractions, while others are struggling to diversify away from a one-industry town.

While USDA's rural development mission area has a comprehensive menu of much needed loan and grant programs for rural communities, it still lacks the scale, efficiency and innovation required to make annual and long-term funding investments in individual rural communities and

regions. Under current federal policies and programs, our nation's urban communities can rely on annual federal grant funds and entitlements for transportation, economic and community improvement initiatives that are designed to enhance the area's competitiveness and quality of life. Meanwhile, the bulk of federal assistance for rural communities is concentrated on maintaining the status quo for citizens and communities through transfer payments and access to loans and loan guarantees for infrastructure upgrades.

As confirmed in a July 2004 study by the W.K. Kellogg Foundation, the federal government spent more than two times (and sometimes up to five times) as much per capita on metropolitan community development as it did on rural community development from 1994 through 2001. In addition, overall federal per capita spending is typically more than \$100 greater each year for metropolitan citizens than non-metropolitan residents.

This is compounded by the fact that, according to the Rural Policy Research Institute, nearly 22 percent of total personal income in rural America comes from federal transfers, such as Social Security, Medicaid and agricultural payments. By comparison, only 13.6 percent of urban personal income is from federal transfer payments.

The US Department of Housing and Urban Development's (HUD's) \$3.7 billion Community Development Block Grant (CDBG) program is one of the largest federal domestic assistance programs. Under the program, approximately 1,111 of the nation's largest cities and counties divide over \$3 billion each year in entitlement spending. This flexible and stable funding allows them to meet important local needs. Meanwhile, the other 30 percent of funding is distributed to states for the small cities program. While an essential and effective program, the nation's 14,000-plus rural communities must compete for one-time and sporadic assistance within their state for these CDBG funds.

Adding further to the discrepancy between urban and rural areas is the type of assistance available to rural communities. Many of the federal economic development programs targeted to urban areas are in the form of grant assistance, while many rural programs, including USDA rural development programs, rely heavily on loans and loan guarantees with minimal grant support. Urban communities typically also have more access to capacity building and technical assistance dollars from HUD and other agencies, whereas most rural economic development planning is funded through the US Economic Development Administration's effective but small planning program.

Without a greater commitment by this committee and Congress to a stronger USDA rural development program, rural communities will continue to be at a marked disadvantage in trying to build and sustain viable local economies.

Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill.

We appreciate and recognize this committee's leadership in placing a new emphasis on rural development in the Farm Security and Rural Investment Act of 2002 by allocating a record \$1

billion in mandatory funds for the rural development title. This funding reflected the changing face of rural America. However, much of this funding never materialized.

One of the most innovative and forward-thinking programs, the Rural Strategic Investment Program, was an attempt to build local capacity within multi-jurisdictional regions by bringing the public and private sectors together. The underlying goal was to place rural regions and communities in the driver's seat to chart their future. Planning grants would be given and then followed up by project funding to implement the plans. The Rural Strategic Investment Program was one of few federal incentives to promote regional collaborations and public-private investments.

Another example is the broadband loan and loan guarantee program. The 2002 farm bill committed \$100 million of Commodity Credit Corporation funds for this program; however, much of the funding was either rescinded or repealed in later spending bills. This is in contrast to a recent study by the Pew Internet & American Life Project that showed that rural America continues to lag behind urban areas in broadband adoption. Specifically, the study found that only 24 percent of rural Americans have high-speed connections in their homes compared to 39 percent of urban Americans. The study further states that progress has been made in broadband adoption, as only 9 percent of rural Americans had broadband in 2003, but work must continue. A consequence of this gap in broadband capability is that rural Americans use the Internet less frequently and do not utilize the Internet's full potential.

As the committee looks forward to the farm bill reauthorization, we encourage you to place an emphasis on retaining and reshaping USDA rural development programs to address the basic community and infrastructure needs of rural America while also providing leadership, vision and resources for rural innovation, capacity, entrepreneurship and strategic planning.

Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

All of these are essential building blocks for local economic development efforts, which eventually result in better paying jobs and an improved quality of life for local residents.

In August 2004, the NADO Research Foundation (with assistance from the W.K. Kellogg Foundation) conducted an eForum that was entitled the, "Pulse of Small Town and Rural America." More than 200 regional development professionals and local government officials, equipped with electronic keypads for instantaneous feedback, were led through a series of national and rural policy questions. Chuck Fluharty, the Director of the Rural Policy Research Institute and I were asked to participate in this eForum and I found the results very informative.

Of the audience members, 77 percent hailed from a small metropolitan or rural region. In addition, 30 percent of the attendees were executive directors of regional development organizations, 22 percent were local elected officials and 28 percent were staff of regional

development organizations. I would like to detail several of the questions and the responses as they are illustrative of what is needed in rural America.

Most notably, attendees identified inadequate public infrastructure as the leading roadblock to economic development in their rural regions. Another highly rated response was limited access to venture capital. When asked the second leading roadblock to economic development, an even greater number answered inadequate public infrastructure. This reflects the fact that private sector investors and businesses expect and demand that local governments and communities have the public infrastructure in place before they will locate and remain at a business site or within a community.

This eForum confirmed other surveys conducted by NACo and NADO that concluded funding for critical infrastructure is of paramount importance. The overwhelming majority of a 2001 NACo survey sample of county elected officials from 20 states listed water and wastewater grants as a top priority. That same year, NADO conducted a survey of 320 regional development organizations serving small metropolitan and rural America about their existing programs, organizational structure and regional needs. Nationally, the overwhelming response for the area of greatest need was for water and wastewater improvements, with transportation and workforce development rounding out the top three. The other most commonly mentioned needs involved funding for capacity building and access to advanced telecommunications.

NADO members were also asked to identify the USDA rural development programs they use most frequently to assist their rural communities. The top three programs were: water and wastewater program, rural business enterprise grants (RBEG) program and intermediary relending program (IRP). Other key programs included: community facilities, rural business opportunity grants (RBOG), solid waste management and rural housing programs.

It is also important to note that the vast majority of rural local governments rely on regional development organizations to help them understand the complex menu of USDA programs, required matching requirements and, often times, burdensome paperwork. (Note: Over 33,000 of the nation's 39,000 units of local government have populations below 3,000 and 11,500 employ no fulltime professional employees.)

Therefore, it is essential that public non-profit entities, such as regional development organizations, and county governments remain eligible for the full range of USDA rural development programs. Over the years, local governments and regional development organizations have used the diverse portfolio of USDA rural development programs to improve community services, create quality jobs and pursue a strategic vision for their areas:

• In 2002, Regional Economic Development District Initiatives of South Central Pennsylvania (REDDI), headquartered in Harrisburg, successfully applied for a \$45,000 grant from USDA's Rural Business Enterprise Grant (RBEG) program to complete a feasibility study for the construction of an ethanol facility in Franklin County. From this initial seed funding, REDDI helped form a group of 45 farmers from Northern Maryland and South Central Pennsylvania into Pennmar, LLC and completed the initial analysis and strategic plan for the venture. As a result, 55 acres on the former Letter Kenny Army

facility were purchased and construction of an \$80 million processing facility began. The facility generates 60 million gallons of ethanol converted from regionally produced corn, employs 35 people in this rural region and generates \$85 million annually. As a result of its initial success on this project, REDDI has served as project facilitator and coordinator for the construction of a bio-diesel soybean crush plant. The organization was recently awarded RBEG funds to study the economic feasibility of the construction of a facility. As a result, REDDI is moving forward with phase two of the project and is searching for a suitable site in the South Central Pennsylvania region to build a facility that will process 2.8 million bushels of soybeans annually, which will produce 3 million gallons of soybean oil for conversion into bio-diesel and also provide 25 percent of the state's crop of meal for dairy feed. The project is expected to create 30-35 jobs.

- In Minnesota, a partnership between, EDA and USDA rural development, the regional planning commission, a local rural electric cooperative and the City of Cambridge clearly demonstrates the power of planning and infrastructure development. The community has managed to preserve its small-town charm while attracting a healthy economic base. The historic downtown district supports an eclectic mix of shops, tech start-ups and service businesses all catering to a growing population of 7,000 residents. It is now home to roughly 25 technology-intensive manufacturing companies and at the forefront of creating hundreds of new living-wage jobs in East Central Minnesota. At the core of the success story was the development of a cutting-edge industrial park with state-of-the-art energy and telecommunications infrastructure.
- The South Delta Development District in Leland, Mississippi recently received funds through USDA Rural Development, Economic Development Administration and the Delta Regional Authority to construct and operate the Delta Workforce and Business Innovation Center, which is located in the highly distressed Mid-Delta Empowerment Zone. The facility will provide critical workforce development, business formation and business incubator services to build and sustain quality jobs in an area plagued by double digit unemployment.
- In Alabama, the Alabama-Tombigbee Regional Council, headquartered in Camden, received a \$28,000 RBOG grant to develop a strategic plan for their ten-county region. This project enabled local leaders to work together on a regional basis to identify their strengths and weaknesses. The end product was a strategic plan that is serving as the local roadmap for future development in this highly distressed region.
- In Maine, the policy board members of the Northern Maine Development Commission identified business development and retention as a top priority during their comprehensive development strategy planning. In response, USDA awarded them with a small RBOG grant to establish a technical assistance support center for small businesses. By addressing this locally identified need, the technical assistance center is investing in the start-up, retention and expansion of local businesses, all resulting in the creation of new jobs in this distressed and isolated rural region.

- Headquartered in North Fort Meyers, the Southwest Florida Regional Planning Council is leveraging a \$95,000 RBOG grant to support a \$250,000 regional strategic initiative for rural development. This multi-faceted program is helping the region assess the skills of the local workforce and identify areas of needed training; pinpoint new industries to complement the area and develop a marketing plan for attracting those new businesses; and establish a business development specialist in the local Small Business Development Center to assist local entrepreneurs.
- In Pennsylvania, the loan programs of the North Central Pennsylvania Regional Planning and Development Commission have helped create or retain over 3,000 jobs since 1984, including its highly successful IRP fund. The local company Gasbarre Products, for example, has used five loans over the past 12 years to expand from 55 employees to almost 300.

Additionally, renewable energy has shown great promise for many rural communities. Whether it is ethanol, bio-diesel or wind energy many in rural America view renewable energy as a key to economic development and a strategy to reduce reliance on foreign sources of energy. NACo has endorsed the 25x25 initiative and its goal of having agriculture provide 25 percent of the total energy consumed in the United States by 2025 while continuing to produce abundant, safe and affordable food and fiber. This goal is aggressive yet possible.

In conclusion, I would like to reiterate the three key points that NACo and NADO feel are critical to future rural development programs. First, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs. Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill. Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

Again, I would like to thank you Chairman Lucas, Ranking Member Holden and members of the subcommittee for the opportunity to testify on behalf of the National Association of Counties and National Association of Development Organizations on this critical issue of rural development.

Committee on Agriculture U. S. House of Representatives Information Request from Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: The Honorable Colleen Landkamer

2. <u>Business Address</u>: Blue Earth County, Minnesota

204 South Fifth Street Mankato, MN 56002-8608

3. Business Phone Number: (507) 304-4283

- 4. <u>Organization you represent</u>: National Association of Counties (NACo)/National Association of Development Organizations (NADO)
- 5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: Elected county commissioner since 1988
- 6. <u>Please list any special training, education, or professional experience you have which</u>
 Add to your qualifications to provide testimony before the Committee:
- 7. <u>If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:</u>
 I serve as President-Elect of the National Association of Counties

PLEASE ATTACH THIS FORM OR YOUR BIOGRPHY TO EACH COPY OF TESTIMONY.

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Committee on Agriculture U.S. House of Representatives Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Colleen Landkamer on behalf of the National Association			National Association of Counties		
	Address:				
	Telephone:	202-393-6226			
	Organization	you represent (if any): National Associa	tion of Counties		
	1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:				
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* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Committee on Agriculture U.S. House of Representatives Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name:	National Association of Development Organizations			
Address:	400 North Capitol Street, NW, Suite 390, Washington, DC 20001			
Telephone:	202.624.7806			
Organization	you represent (if any):		13 m	
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